

LOAN AND LEASE FINANCING RECEIVABLES - SUPPLEMENTAL PAGE 3

PURPOSE

The purpose of this schedule is primarily for past-due and nonaccrual loan analysis. This schedule is not intended for loan composition analysis. Review the institution's internal records, Call Report, and UBPR to gain a thorough understanding of the composition of the loan portfolio.

GENERAL

Complete this schedule according to Call Report Instructions.

Percentages - Round percentages to the nearest whole percent in the loan portfolio section and to the nearest hundredth percent in the past-due and nonaccrual section.

Dates - The examiner has the flexibility to use either the same or different dates for the loan portfolio category section and the past-due and nonaccrual section. The loan category date will usually be the examination as of date; whereas, the past-due/nonaccrual date should normally correspond with the asset review date.

Note: To obtain technically correct past-due and nonaccrual ratios, both dates should be the same. However, when the asset review date is different from the examination as of date, loan category breakdowns as of the examination as of date are acceptable, even though technical precision is not obtained. If significant loan portfolio changes have occurred since the examination as of date, prepare the loan portfolio section as of the asset review date.

LOAN PORTFOLIO BREAKDOWN

All Other Loans and Leases - This item includes overdrafts.

Note: Gross loans and leases per the Call Report may actually be total loans and leases (gross loans and leases less unearned income). Call Report Instructions encourage but do not require institutions to report loan categories net of unearned income. Using total loans is acceptable when total and gross figures are not substantially different and/or if unearned income is difficult to separate from loan categories.

PAST-DUE AND NONACCRUAL LOANS AND LEASES

The two past-due columns and the nonaccrual column correspond to information in Call Report Schedule RC-N. Refer to the instructions for Schedule RC-N and the Glossary of the Call Report Instructions under "nonaccrual status."

Note: The two past-due columns are only for loans that are past due and still accruing interest. The nonaccrual column may contain current as well as past-due loans.

Total Past Due and Accruing - This column is the sum of the previous two columns within each category.

Percent of Category Columns - The "Percent of Category" column calculates the ratio of past-due and accruing loans to the respective loan category. The "Nonaccrual Percent of Category" column calculates the ratio of nonaccrual loans to the respective loan category.

Hint: The totals for these two columns is not the addition of the ratios above. The column totals are the total past due and accruing and nonaccrual dollar amounts as a percent of gross loans and leases. The total past due and accruing ratio plus the total nonaccrual ratio equals the Past Due and Nonaccrual Loans and Leases/Gross Loans and Leases ratio shown on the Asset Quality page.

Note: The percent of categories columns should not add to 100% unless the entire loan portfolio is past-due or on nonaccrual.

LOANS AND LEASE FINANCING RECEIVABLES

SUPPLEMENTAL PAGE 3 (continued)

RESTRUCTURED LOANS AND LEASES

Memorandum: Restructured Loans and Leases - Include restructured loans here only if they are past due and accruing or nonaccrual. These restructured loans are included in the above past-due and nonaccrual totals. Footnote restructured loans that are not past due and accruing or nonaccrual.

Restructured loans and leases are also known as renegotiated troubled debt per FASB 15. These loans have been granted concessionary terms (for example, reduction in interest, reduction in principal, extension of maturity date) primarily through deterioration in the borrower's financial position.

The following loans are not considered renegotiated troubled debt:

- A loan extended or renewed at a stated interest rate equal to the current interest rate for new debt with similar risk
- A loan which was a renegotiated troubled debt which has, subsequent to its restructuring, been assumed by a financially sound, unrelated third party
- A loan to purchasers of ORE which, to facilitate disposal, is granted at contract rates lower than market rates for loans of similar risk

References: Financial Accounting Standards Board Statement No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings" (FASB 15)
Call Report Instruction Glossary under "Troubled Debt Restructurings"

FOOTNOTE

Use this section to clarify items in the above sections. Do not use it to detail loan categories. A continuation page or Asset Quality page may be used if it is pertinent to breakdown loan categories (that is, construction, commercial real estate, 1 to 4 family residential).

RECAPITULATION OF SECURITIES BY CLASSES AND CREDIT QUALITY - SUPPLEMENTAL PAGE 3

GENERAL

Complete this schedule in accordance with the Call Report Instructions for Schedule RC-B and the Supervisory Policy Statement on Securities Activities.

Rounding - Round percentages to the nearest whole percent.

Trading Account Assets - Do not include trading account assets, other than as a footnote.

SUBINVESTMENT QUALITY/INVESTMENT QUALITY

This schedule allows for both investment quality and subinvestment quality securities to be detailed for "States and Political Subdivisions," "Mortgage-backed Securities," "Other Debt Securities," and "Equity Securities." When applicable, schedule subinvestment quality securities immediately below the appropriate line item. For instance, if an institution has a subinvestment quality revenue obligation, then add a line item titled "Subinvestment Quality Revenue Obligation" directly below "Revenue Obligation." Consequently, "subinvestment" line items will not appear unless a subinvestment quality security exists.

FAIR VALUE AND ESTIMATED FAIR VALUE

"Fair Value" is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

When the pricing of all issues within one class is impractical, enter the book value of the class of security involved in the column headed "Fair Value." Footnote such instances as "estimated at book value." This treatment is appropriate when the institution faces no problems in its securities account or is not otherwise burdened with serious asset, liquidity, or capital problems. Otherwise, obtain market value or the best estimate thereof. Footnote any estimations.

MARKET DEPRECIATION OF EQUITY SECURITIES

Call Report Instructions require institutions to report marketable equity securities net of unrealized loss (at lower of aggregate cost or market value). If financial statement dates other than quarter-end are used, adjust the carrying value of equity securities and capital by any change in net unrealized loss. In other words, adjust any additional market depreciation directly to capital accounts; do not adversely classify the depreciation as Loss. When a marketable equity security is adversely classified, treat it in accordance with instructions in the Manual.

Note: Residuals are included in "Other Assets" for Call Report Instructions; therefore, do not include residuals on this page or in the "Securities" line item on the Comparative Statements of Financial Condition page. (Instead, include them in "Other Assets"). However, footnote the book value of residuals on this page.

RECAPITULATION OF SECURITIES BY CLASSES AND CREDIT QUALITY - SUPPLEMENTAL PAGE 3 (continued)

HIGH-RISK MORTGAGE SECURITIES

Separate high-risk mortgage securities from mortgage derivative products. Generally, any mortgage derivative product that exhibits greater price volatility than a benchmark, fixed-rate, thirty-year, mortgage-backed, pass-through security is deemed to be high risk. Section III of the Supervisory Policy Statement on Securities Activities outlines the tests to be conducted on mortgage derivative products to determine if they are high risk.

Reminder: High-risk mortgage securities are reported as trading assets at market value or as available-for-sale assets at market value. Only mortgage securities which are high-risk when acquired must be in available-for-sale. If the security converts to high-risk after acquired, it can stay in held-to-maturity. Do not include, other than as a footnote, securities reported as trading assets. The footnote should differentiate between the dollar amount of high-risk trading account securities and other trading account securities.

ASSET-BACKED SECURITIES

Asset-backed securities are securities backed by assets other than 1 to 4 family residential properties. (For example, securities backed by commercial real estate, multi-family residential properties, automobiles, recreational vehicles, and credit card debt.) Identify and breakout these securities since Call Report Instructions do not separate asset-backed securities from other debt securities. Footnote, if appropriate, the type of asset securitized.

PO STRIPS

Adversely classify any individual PO strip security held for sale that is of subinvestment quality.

FOOTNOTE

Use the footnote section to clarify any line items on the schedule. When applicable, include the following items here:

- Trading account securities, broken out between high-risk mortgage securities and all other securities
- Residuals carried as "Other Assets" on the Comparative Statements of Financial Condition
- Book value for estimated market value for any security

SUPPLEMENTAL SCHEDULES

Include additional schedules when necessary to support core page comments. Potential topics include the following:

- A recapitulation of trading account assets
- A maturity distribution or estimated life distribution
- A detailed breakdown of securities by credit quality (that is, Aaa, Aa, etc.)

References: Call Report Instructions for Schedule RC-B
Call Report Glossary, particularly
(1) Coupon Stripping, Treasury Receipts, and STRIPS
(2) Marketable Equity Securities
(3) Participation in Pools of Securities
(4) Trading Account
Supervisory Policy Statement on Securities Activities
Securities Section of the Manual

ITEMS SUBJECT TO ADVERSE CLASSIFICATION - SUPPLEMENTAL PAGE 3

GENERAL

The page heading includes the interagency definitions of Substandard, Doubtful, and Loss.

Prepare this schedule in accordance with procedures outlined in the Examination Program subsection of the Basic Examination Concepts and Guidelines Section of the Manual. For further guidance, refer to Report of Examination Treatment of Classified Loans subsection in the Loan Section of the Manual and other sections of the manual covering asset classification. Additionally, refer to any outstanding memoranda regarding asset classification.

All types of assets are subject to adverse classification.

Generally, do not include a recapitulation of adverse classifications here. It would be more appropriate to include the recapitulation on the Summary of Items Subject to Adverse Classification page.

ADVERSELY CLASSIFIED ASSETS TOTALING 25% OR LESS OF TIER 1 CAPITAL

When examiner appraisal determines that total adverse asset classifications amount to 25% or less of Tier 1 Capital, and the examination discloses no material problems or trends in the area of asset administration, the examiner may do one of the following:

Omit the Items Subject to Adverse Classification page. Include total adverse classifications on the Summary of Items Subject to Adverse Classification page, and note on the Asset Quality page that adverse classifications are within an acceptable volume. Consequently, do not include a detailed listing in the Report.

OR

Include the Items Subject to Adverse Classification page. Limit the schedule to an alphabetical listing of such assets by type and carry forward totals to the Summary of Items Subject to Adverse Classification page. Do not include detailed writeups.

ADVERSELY CLASSIFIED ASSETS EXCEEDING 25% OF TIER 1 CAPITAL

Use traditional writeups and recapitulation when the appraisal determines that total adverse asset classifications exceed 25% of Tier 1 Capital and/or material problems or trends in the area of asset administration are present.

Generally, write-up only loans and other significant assets that are above the examiner's cutoff point. Examiners are encouraged to aggregate other adverse asset classifications by type, with a comment as to number and basis of classification (for example, 302 Consumer Instalment Loans Adversely Classified based on the Uniform Policy for Classification of Consumer Instalment Credit Based on Delinquency Status). Leave appropriate lists of such classifications with management. Retain in the examination workpapers a receipted copy of this listing, signed by an executive officer. Examiners may "tier" the detail of writeups when appropriate. For instance, complete writeups may be accorded all loans over a certain amount, modified writeups may be accorded the next tier, and bullet writeups the following tier.

ORDER OF PRESENTATION

The order for presentation of asset categories should follow the Summary of Items Adversely Classified page. Use appropriate subheadings. Subtotal each asset category containing items which are adversely classified. These subtotals should correspond with subtotals reported on the Summary of Items Subject to Adverse Classification page. If a more detailed recapitulation is included on the Summary of Items Subject to Adverse Classification page, then subtotals should correspond to the detailed recapitulation.

ITEMS SUBJECT TO ADVERSE CLASSIFICATION

SUPPLEMENTAL PAGE 3 (continued)

Loan comments should generally consist of the following elements:

| | |
|------------------------------|---|
| IDENTIFICATION | Indicate the name and occupation or type of business of the borrower. Identify cosigners, endorsers, and guarantors. In the case of business loans, make it clear whether the borrower is a corporation, partnership, or sole proprietorship. |
| DESCRIPTION | Concisely describe the make-up of the debt as to the type of loan, amount, origin, and terms. State the history, purpose, and source of repayment. |
| FINANCIAL DATA | If necessary, present current balance sheet information along with operating figures. Exercise judgement as to whether a statement should be detailed in its entirety. When the statement is relevant to the classification, it is generally more effective to summarize weaknesses with the entire statement presented. If the statement does not significantly support or detract from the loan, briefly summarize the statement. |
| COLLATERAL | Describe and evaluate any collateral, indicating its marketability and/or condition. When relevant, identify the appraiser. Also state if the appraisal or estimate of value is independent or in-house. |
| SUMMARIZATION OF THE PROBLEM | Explicitly point out reasons for the adverse classification. Where portions of the line are accorded different classifications or are not subject to adverse classification, state the reasons for the different treatments. |
| MANAGEMENT'S INTENTIONS | Include any corrective program contemplated by management. |

ITEMS SUBJECT TO ADVERSE CLASSIFICATION

SUPPLEMENTAL PAGE 3 (continued)

FORMAT OF ASSET WRITEUPS

General Format:

- The format of all writeups within each asset category should be consistent in presentation, style, and appearance. (This does not apply to substantive content within the write-ups).
- Be concise; but, do not omit pertinent information.
- Write narrative comments across the entire page.
- Write informatively and emphasize factual data. Do not allow extraneous information to overshadow important weaknesses of an adversely classified asset.
- Round to the nearest thousand (with 000 omitted) both the heading and the extended adversely classified amount. In narrative comments, the examiner may round dollar amounts to the nearest thousand (for example, \$25M) or to the nearest dollar.

Required Notations, If Applicable:

- When adversely classified assets are participations, list each participant and the participant's corresponding ownership percentage (whether or not originated by the institution). This requirement does not apply to Shared National Credits.
- When applicable, address contingent liabilities with the related credit relationship. However, show the adverse classification extended net of the contingent liability. The contingent liability adverse classification will be listed under the subheading "Contingent Liabilities." Refer to the example in the Bank of Anytown.
- Include overdrafts of borrowers with adversely classified loans in the same general comment and in outstanding debt recaps.
- If an adversely classified asset has been partially charged-off, note the amount of the chargeoff. *Reminder:* Carry-forward the total chargeoffs on Substandard and Doubtful loans to line 45 of the SAER page.
- When applicable, state whether an asset was adversely classified at the previous regulatory examination (it is the responsibility of each examiner performing asset review to verify and include this information in the asset write-up). If the asset has been adversely classified for two or more consecutive examinations, so state. Additionally, state if the loan is identified on the institution's internal watch list. If internally identified, state how the loan was identified or adversely classified.
- Include any past-due (30 days or more) or nonaccrual status of an asset. However, there may be instances when it would be pertinent to disclose the status of a loan where payment is less than 30 days delinquent.
- If a loan has had numerous extensions or rewrites, so state.
- Include management's intentions. Be specific as to action taken or promised by management.
- Immediately following each loan writeup, identify the originating officer, servicing officer, and the examiner responsible for the loan review and corresponding internal adverse classification.

ITEMS SUBJECT TO ADVERSE CLASSIFICATION

SUPPLEMENTAL PAGE 3 (continued)

FORMAT OF ASSET WRITEUPS (continued)

Miscellaneous:

- When loans and other assets are adversely classified as a result of alleged fraud, embezzlement, or other dishonest conduct, state the facts that support the adverse classification. However, do not suggest any possible criminal intent or conduct.
- Treat adversely classified assets of consolidated subsidiaries as follows:
 - (1) Clearly distinguish them from assets of the institution.
 - (2) Recapitulate them separately.
 - (3) Note them in the Summary of Items Subject to Adverse Classifications.
- Do not adversely classify assets carried at nominal amounts for control purposes. However, if warranted, you may comment on these assets elsewhere in the Report.
- Exclude recapitulation of various delinquent assets which are not adversely classified.

ITEMS LISTED FOR SPECIAL MENTION - SUPPLEMENTAL PAGE 3

GENERAL

The page heading includes the interagency definition for Special Mention assets. *Note:* Disregard the use of the term "assets" rather than "items" in the definition.

Careful identification of items which properly belong here is important in determining the extent of risk in the institution and providing constructive criticism for the institution's management. Do not use this category to avoid a clear-cut decision to adversely classify an asset/item or to pass it without criticism. Furthermore, do not include items listed merely "for the record" when uncertainties and complexities, coupled with large size, create some reservations about the items. If weaknesses or evidence of imprudent handling cannot be identified, do not include such items for Special Mention.

Do not include smaller loans unless those loans are part of a large grouping listed for related reasons.

WRITEUPS

Generally, draft comments appended to items listed as Special Mention in a fashion similar to those comments drafted for adversely classified assets. There is no less of a requirement to state clearly the reason(s) why the asset is listed. Items listed will generally reflect weaknesses in the administration, documentation, servicing, and/or collection of such assets by management which can be expected to lead to increased credit weaknesses. Clearly illustrate the inherent risks of allowing defects to continue without remedy. Direct comments at correcting identified deficiencies.

Immediately following each Special Mention loan writeup, identify the originating officer, servicing officer, and the examiner responsible for the loan review and corresponding identification of Special Mention.

ASSETS WITH CREDIT DATA OR COLLATERAL DOCUMENTATION EXCEPTIONS - SUPPLEMENTAL PAGE 3

WHEN TO INCLUDE

This schedule may be included for support when documentation exceptions are excessive and comments on the Examination Conclusions and Comments page, Management/Administration page, and/or Administration, Supervision, and Control page (Item #1) are appropriate. *Reminder: The purpose of this schedule is not to list documentation exceptions found in files reviewed but to document a pattern or practice that evidences a weakness in lending procedures.* Include comments on the aforementioned pages when appropriate. In certain circumstances, a comment may be appropriate on the aforementioned pages if excessive deficiencies were outstanding when the examination commenced but were substantially corrected during the examination and the schedule is not included in the Report. Do not include this schedule in the Report when the number of exceptions is not deemed excessive. However, leave a detailed list with management.

GENERAL

During the examination, furnish management with a list of assets which have documentation deficiencies. This procedure is intended to expedite early correction of the deficiencies. Do not include deficiencies corrected during the examination.

Examiners have the flexibility to add line items in the heading to more accurately describe documentation exceptions encountered at the institution being examined.

Include the date of the borrower's financial statement in the "Date of Most Recent Financial Statement" column only when financial statements are stale or otherwise deficient. Enter "None" when credit files contain no financial statements.

When documentation deficiencies are listed on adversely classified assets, cross-reference the appropriate pages.

Use this schedule to cover loan documentation deficiencies, as well as deficiencies in other assets/items (for example, other real estate, securities, and letters of credit.) Use subheadings to segregate assets and items.

List exceptions in alphabetical order. When subheadings are used, list exceptions alphabetically within each subheading.

ANALYSIS OF LOANS SUBJECT TO ADVERSE CLASSIFICATION

SUPPLEMENTAL PAGE 3

PURPOSE

The purpose of this migration schedule is to illustrate loan classification changes between examinations. From the analysis, the examiner will be better able to cite specific areas of change and the causes of these changes. In particular, the schedule may illustrate deterioration in the loan portfolio through the migration of loans previously adversely classified Substandard to more severe classification categories.

WHEN TO COMPLETE

Complete this schedule:

- In institutions having marginal or unsatisfactory loan quality.
- When the volume or composition of adversely classified loans has changed significantly since the previous examination.

GENERAL

Generally, the previous FDIC examination should be the starting point for preparing the schedule. The FDIC does not usually have access to state or other regulatory examination classification workpapers, which makes it virtually impossible to use non-FDIC examinations as the starting point. However, where it is possible to analyze changes from the previous non-FDIC examination, the examiner may do so.

Generally, do not include adversely classified consumer loans and overdrafts. If overdrafts or consumer loans are included, they should be footnoted.

Reminder: Reductions pertain only to loans adversely classified at the previous examinations.

ADDITIONAL LINE ITEMS

The examiner may add line items when necessary. For example, other line items under "Additions" may include "Previously Classified ORE" when loans made to facilitate the sale of ORE did not originally meet FASB 66 requirements but now do meet those requirements.

PAYMENTS vs. RECOVERIES

When not significant, recoveries on loans charged-off since the previous examination may be handled by: (a) including recoveries in "Payments" and deducting them from the line item "Charged-off"; or (b) making no adjustment. However, when recoveries are significant, examiners should add a line item called "Recoveries" rather than include recoveries in the line item "Payments." The amount included in the line item "Recoveries" would also be deducted from the line item "Charged-off."

Note: The aforementioned examples are not all-inclusive.

ANALYSIS OF LOANS SUBJECT TO ADVERSE CLASSIFICATION

SUPPLEMENTAL PAGE 3 (continued)

FURTHER ADVANCES - LOANS NOT ADVERSELY CLASSIFIED PREVIOUSLY

Circumstances when this line item may be used include:

- Advances (since the previous examination) on a loan existing at the previous examination
- An advance of a new loan is granted to borrowers who were indebted to the institution at the previous examination and whose loans were not adversely classified at that time

Note: Include current balances of loans outstanding at the previous examination which are now adversely classified and are less than the balances noted at the previous examination in the line item "Not Adversely Classified Previously" (that is, do not report the loan balance outstanding at the previous examination). For practical purposes, do not research the payment and advance history on a loan that was not adversely classified previously. The amount listed in "Further Advances - Loans Not Adversely Classified Previously" should be the difference between the current balance and the previous examination balance, if the current balance is greater than the previous examination balance.

FURTHER ADVANCES - LOANS ADVERSELY CLASSIFIED PREVIOUSLY

Circumstances when this line item may be used include:

- Advances (since the previous examination) on an adversely classified loan existing at the previous examination
- An advance of a new loan is granted to borrowers who were adversely classified at the previous examination

CREDITS NEWLY EXTENDED

Include loans to borrowers who were not indebted to the institution at the previous examination.

Note: The aforementioned examples are not all-inclusive.

ANALYSIS OF OTHER REAL ESTATE OWNED SUBJECT TO ADVERSE CLASSIFICATION SUPPLEMENTAL PAGE 3

PURPOSE

The purpose of this migration schedule is to illustrate changes in other real estate (ORE) classifications between examinations. From the analysis, the examiner will be better able to cite specific areas of change and the causes of these changes. In particular, the schedule may illustrate deterioration in the other real estate portfolio through the migration of other real estate classified Substandard to more severe classification categories.

WHEN TO COMPLETE

Complete this schedule:

- When the volume or composition of adversely classified ORE has changed significantly since the previous examination.
- In institutions having a high volume of ORE classifications.

GENERAL

Generally, the previous FDIC examination should be the starting point for preparing the schedule. The FDIC does not normally have access to state or other regulatory examination classification workpapers, which makes it virtually impossible to use non-FDIC examinations as the starting point. However, where it is possible to analyze changes from the previous non-FDIC examination, the examiner may do so.

Because the purpose of this schedule is to illustrate changes in adverse classifications since the previous FDIC examination, do not schedule ORE activity between examinations. Conversely, if significant activity in the ORE account has occurred since the previous examination, the examiner may prepare a separate schedule. Narrative comments may suffice to address this activity. For example, assume the following:

| | |
|--|--------|
| Book value at previous examination: | \$ 5MM |
| Book value at current examination: | \$ 3MM |
| Book value of other real estate acquired and sold between examinations: | \$12MM |

In situations such as this, a separate schedule may be completed for the acquisition and sale of the \$12MM. (This schedule would aid in analyzing the institution's asset quality and loss history.)

The examiner has the flexibility to not include all ORE parcels (that is, when numerous smaller parcels that represent only a small portion of the dollar volume of ORE exist). Footnote the schedule to indicate what is not included.

GENERAL vs. SPECIFIC RESERVES

Do not deduct general reserves from the book value of ORE. However, values reported on each individual parcel are to be net of specific reserves.

**ANALYSIS OF OTHER REAL ESTATE OWNED
SUBJECT TO ADVERSE CLASSIFICATION
SUPPLEMENTAL PAGE 3 (continued)**

ADDITIONAL LINE ITEMS

Add line items when necessary.

Examples of other possible line items under "Reductions":

- "To Premises"
- "Sales for Cash"
- "Sales to Insiders"
- "Now Adversely Classified Loan" (this line item may be used when internally financed sales of ORE which did not originally meet FASB 66 requirements now meets those requirements).
- "Write-downs" (this line item may be used rather than "Charged-off" when substantial writedowns are made by the institution's management since the previous examination as opposed to chargeoffs that are performed as the result of an examination).

Examples of other possible line items under "Additions":

- "Capitalized Improvements" (this line item may be used when capitalized improvements are substantial as a whole or to a particular parcel; otherwise, one of the "Further Advances" line items may be used).
- "Formerly Premises"
- "Loans to Facilitate Sale of Other Real Estate" (for sales of ORE that do not meet FASB 66 downpayment requirements). Use this line item when a significant volume of sales have occurred. Otherwise sales can go under "ORE From Credits Newly Extended."

Reminder: Reductions pertain only to ORE adversely classified at the previous examination.

CHARGED-OFF

This line item may include loss on sale of ORE. If significant, add a line item titled "Write-downs" as discussed above.

NOT ADVERSELY CLASSIFIED PREVIOUSLY

This line item may include amounts representing both loans and ORE at the previous examination.

ORE FROM CREDITS NEWLY EXTENDED

When not significant, this line item may include loans to facilitate sales of ORE which do not meet FASB 66 downpayment requirements (that is, loans reported as other real estate for Call Report purposes). Additionally, the line item may include loans newly extended since the previous examination which are now adversely classified ORE.

Note: The aforementioned examples are not all-inclusive.

CONCENTRATIONS - SUPPLEMENTAL PAGE 3

GENERAL

The purpose of this schedule is to identify possible absence of risk diversification within the institution's asset structure. This schedule is informational and all concentrations listed should not automatically be subject to criticism. However, if the intent is to criticize management's diversification policies, carry forward comments to the appropriate core pages and/or to the Examination Conclusions and Comments page.

As a general rule, list concentrations by category according to their aggregate total as a percentage of Tier 1 Capital.

Use of this schedule is not limited to credit concentrations such as loans and securities but may also include other obligations or types of concentrations where the same obligor is primarily liable (for example, letters of credit, leases, acceptances, and correspondent bank accounts).

Reminder: When capital is low enough to make a concentration by percentage of Tier 1 Capital meaningless, use percentage of assets as a guideline (generally 2% of total assets).

CONCENTRATION CATEGORIES

(1) Concentrations aggregating 25% or more of Tier 1 Capital should include concentrations by:

- individual borrower
- small, interrelated group of individuals
- single repayment source with normal credit risk or greater
- individual project

(2) Concentrations representing 100% or more of Tier 1 Capital should include concentrations by:

- industry
- product line
- type of collateral
- short-term obligations of one financial institution or affiliate group

Note: List any concentration in the "25%" category if it supports examination findings.

CONCENTRATIONS - SUPPLEMENTAL PAGE 3 (continued)

U.S. GOVERNMENT SECURITIES

Securities issued by the U.S. Treasury, U.S. Government agencies and corporations, and other obligations either backed by the full faith and credit of or fully guaranteed by the U.S. Government (hereafter referred to as "U.S. Government securities") are considered as a practical matter to be riskless. Therefore, these securities, as well as Federal funds transactions, and any other obligations collateralized by these securities, should not be scheduled as concentrations, provided the existence of such collateral has been verified. When Federal funds transactions and any other obligations are only partially collateralized by U.S. Government securities, do not schedule the collateralize portion. However, while other high quality and readily marketable securities may be considered nearly "riskless," such securities and assets collateralized by other than U.S. Government securities should be scheduled as concentrations if equal to, or in excess of, the 25% or 100% benchmarks.

Note: Refer to Call Report Instructions for details regarding the definition of U.S. Government agencies and corporations. For example, although debt obligations of Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation (FHLMC), and the Federal National Mortgage Association (FNMA) are not explicitly guaranteed by the full faith and credit of the U.S. Government, do not list obligations of such agencies and corporations.

OTHER CONSIDERATIONS

In determining whether a group of related obligations comprises a concentration, remember concentrations by their nature are heavily dependent upon a key factor (for example, financial capability, management, source of revenue, industry, or collateral support). If a weakness develops in that factor, it could not only adversely affect the individual obligation(s) in the concentration, but it could also impact the institution's capital position. Nevertheless, treatment of concentrations in the Report is flexible and requires sound reasoning and judgement. For example, if the institution's loan distribution is heavily centered in one general class of borrower, and this condition is inherent in the economy and character of the institution's trade area, it may be appropriate to include these loans.

Out-of-Territory Concentrations - While such obligations may be regarded as a "class of borrower" regardless of the diversification of the group, generally do not list them. Usually, such situations are more of a loan administration issue than a true credit concentration issue.

Correspondent Bank Concentrations - Before making critical comments regarding concentrations in due from balances, review the makeup of the concentration. It may not be practical to maintain smaller due from balances because of the size of incoming cash letters, the amount of collected balances on the correspondent's books, and the need to maintain balances for other services rendered by the correspondent. Even though critical remarks may not be warranted, list such due from accounts for informational purposes.

Purchased Loans and Participation Loans - A heavy volume of loans purchased or participated in from other sources may be listed.

Mutual Funds - Despite their inherent diversification, list an investment in a single mutual fund whose book value represents 25% or more of Tier 1 Capital (including those investing exclusively in U.S. Government securities).

CONCENTRATIONS - SUPPLEMENTAL PAGE 3 (continued)

EXTENSIONS OF CREDIT TO A FOREIGN GOVERNMENT

Aggregate as a "class of borrower" extensions of credit to a foreign government, its agencies, and majority-owned or controlled entities. If the extensions of credit are equal to or in excess of the 25% guideline, schedule them as a concentration. Loans to private sector enterprises may also be included with public sector borrowings if an interrelationship exists in the form of government guarantees, moral commitments, significant subsidies, or other pertinent factors pointing toward reliance on public sector support. Where sizable extensions of credit to related private entities exist and equal or exceed the 25% guidelines, list these amounts. The aforementioned procedures are intended to facilitate reporting of concentrations involving borrowers evidencing commonality of commercial credit risk. Follow outstanding instructions when handling transfer risk or country risk, where all public and private sector credits within a country are aggregated and related to the institution's capital structure. The International Banking Section of the Manual and the instructions for the International Section of the Bank of Anytown contain additional guidelines for concentrations in the area of credit to foreign governments and their entities.